

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

1998 Biennial Regulatory Review --)
Reform of the International Settlements)
Policy and Associated Filing Requirements)

Regulation of International)
Accounting Rates)
_____)

IB Docket No. 98-148

CC Docket No. 90-337

COMMENTS OF TELEGROUP, INC.

Telegroup, Inc. ("Telegroup"), by its attorneys, hereby submits these comments in the above-referenced proceeding and states as follows:

On August 6, 1998, the Commission issued the instant notice of proposed rulemaking in which it has proposed a series of important changes to its International Settlements Policy and to its Flexible Accounting Rate policy.¹ As noted by the Commission in the Accounting Rate NPRM, the 1997 World Trade Organization Agreement on Basic Telecommunications ("WTO Agreement") has dramatically changed the international telecommunications services landscape. Numerous foreign governments have opened their telecommunications services markets -- domestic and international -- to competition, and U.S. and foreign carriers are entering each others' markets and competing by providing innovative new services at reduced prices. Telegroup supports the Commission's proposals to relax its International Settlements Policy ("ISP") and related filing requirements as applied to non-dominant international carriers as proposed in its Accounting Rate NPRM.

¹1998 Biennial Regulatory Review -- Reform of the International Settlements Policy and Associated Filing Requirements, *et al* (Notice of Proposed Rulemaking), FCC 98-190, released August 6, 1998 ("Accounting Rate NPRM").

Telegroup is a provider of international telecommunications services including services to and from the U.S. On several occasions, Telegroup has entered into relationships with non-dominant foreign carriers which deviate from the traditional accounting rate-based arrangements and it has availed itself of the Commission's Flexible Accounting Rate policy to implement those arrangements.² Based upon those experiences, Telegroup supports the proposals to further relax that policy and to simplify the filing process.

While generally supportive of the Commission's proposals to relax and in some instances eliminate application of the International Settlements Policy, Telegroup specifically urges the Commission to adopt its proposal to allow carriers to file flexible accounting rate petitions for declaratory ruling without including summaries of the terms and conditions of the agreements and without identifying the foreign correspondents in their petitions.³ Furthermore, the Commission should also decline to apply Section 43.51 contract filing requirements to alternative settlement arrangements that affect less than 25 percent of the inbound or outbound traffic on a particular route and which are between non-dominant, WTO-member correspondents.

²See Petition of Telegroup, Inc.; For Declaratory Ruling Regarding an Alternative Accounting Rates Arrangement for Services between the United States and Australia (Declaratory Ruling and Order), File No. ISP-97-PDR-302, 12 FCC Rcd. 8426 (rel. June 26, 1997) (Commission approved flexible accounting rate agreement with affiliate Telegroup Network Services Pty, LTD.); Application for Alternative Settlement Rate Agreement under Flexibility Standard Accepted for Filing (Public Notice), File No. ISP-98-PDR-327, DA 98-1391 (rel. July 15, 1998) (Application for flexible accounting rate agreement with affiliate Telegroup Japan KK, deemed granted on August 5, 1998); Application for Alternative Settlement Rate Agreement under Flexibility Standard Accepted for Filing, (Public Notice), File No. ARC-PDR-19980824-00015, DA 98-1790 (rel. September 4, 1998) (Application for flexible accounting rate agreement with correspondent Sungwoo I & C Co., Ltd.).

³Accounting Rate NPRM at ¶ 33.

At ¶ 21 of the Accounting Rate NPRM, the Commission expressed its concern that the current filing requirements for agreements between U.S. carriers and foreign carriers lacking market power may actually be inhibiting U.S. carriers from entering into innovative arrangements that are pro-competitive and which could reduce rates for U.S. consumers. Telegroup has learned from first-hand experience that the Commission's articulated concern is well-founded. Telegroup recently entered into an agreement with a newly-licensed Korean company pursuant to which Telegroup and the Korean company would terminate each other's traffic. The agreement contemplates termination payments significantly below the currently-prevailing settlement rate on the U.S.-Korea route. Those lower termination payments will result in lower calling prices both for U.S. and for Korean consumers. Because of the political and regulatory climate in Korea, the Korean company was understandably reluctant to have the details of its arrangement with Telegroup publicly available, and hence available to its rivals, including the current dominant Korean carriers. For that reason, on August 24, 1998, Telegroup filed with the Commission a petition for declaratory ruling and petition for waiver. In that petition, Telegroup seeks Commission approval of its arrangement with Sungwoo I & C, Ltd., pursuant to the Flexible Accounting Rate Policy. The petition identifies the correspondent carrier, but does not specify the termination prices agreed upon. Because the current rules require that a summary of the agreement, including pricing information, be included in petitions for declaratory ruling,⁴ Telegroup's petition requests waiver of that rule.

As demonstrated in that petition, Telegroup believes that waiver in that situation would serve the public interest and that its request should be granted. Moreover, the fact that the current rules necessitated the filing of a waiver request in order to implement an innovative arrangement with an

⁴47 C.F.R. §43.51; 47 C.F.R. §64.1001.

understandably reluctant, recently-licensed, non-dominant foreign carrier illustrates all too dramatically the manner in which the current filing requirements are undermining the Flexible Accounting Rate policy. By exempting non-dominant carriers from the above-mentioned disclosure requirements, the Commission will encourage the implementation of innovative arrangements that are pro-competitive and beneficial to U.S. consumers.

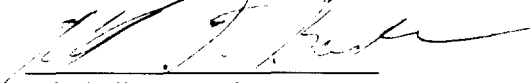
Where the U.S. and foreign WTO-member carriers both lack market power, disclosure of term-specific information, including pricing information, contained in intercarrier agreements produces no public interest benefits. Rather, the elimination of those disclosure requirements will stimulate U.S. carriers' desire to take advantage of the Commission's Flexibility Policy. More importantly, it will encourage emerging carriers in newly-open foreign markets to enter into innovative arrangements with U.S. carriers. Beyond elimination of the commercial information disclosure requirements, Telegroup supports the Commission's proposal not to apply the International Settlements Policy to arrangements between U.S. carriers and carriers which lack market power from other WTO Member countries, and between U.S. carriers and all from WTO countries approved by the Commission for International Simple Resale.⁵ The net result of implementing the Commission's proposals will be the development of aggressive competition between carriers vying to offer U.S. and foreign consumers the most innovative services at the lowest prices.

⁵Accounting Rate NPRM, *supra*, at ¶ 3.

WHEREFORE, Telegroup urges the Commission to adopt its proposals in swift fashion in order to stimulate and encourage price and service competition on routes between the U.S. and WTO Member countries.

Respectfully submitted,

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CERTIFICATE OF SERVICE

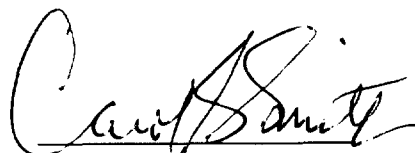
I, Carol B. Smith, a secretary at the law firm of Fleischman and Walsh, L.L.P., hereby certify that a copy of the foregoing "*Comments of Telegroup, Inc.*" issued on IB Docket No. 98-148, CC Docket No. 90-337, was served this 16th day of September, 1998, via hand delivery on the following:

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